



**ANNUAL BUDGET
OF
NDWEDWE LOCAL MUNICIPALITY**

2015/2016 TO 2017/2018

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

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1- Mayor's Report

2015/2016 Annual budget presentation by his Worship the Mayor, Councillor M Hadebe, at the Ndwedwe Council Chamber

Meeting held at Ndwedwe Council Chamber, on Thursday 28 May 2015

Honorable Speaker, I wish to present an overview of the Annual Budget for the 2015/2016 budget year. This Annual Budget document is prepared in terms of the Municipal Budget and Reporting Regulations, promulgated in the Government Gazette No. 32141, dated 17 April 2009.

The 2015/2016 financial year is most critical to the Ndwedwe populace in that it marks the fourth financial year and the last budget of the newly elected councilors after 2011. The 2011/2016 Council leadership being guided by a National call for all 283 municipalities in the country to formulate, adopt and execute a Plan to make Local Government Work Better For the community, also found itself duty bound to ensure that Ndwedwe Local municipality also set its attainable targets. The ten point development plan prioritizing ten key development tasks against which the Council would have to be measured in 2012 came into being and the same shall apply in the coming budget year.

The plan realistically looks into service delivery backlogs against the available municipal resources and begins to set out the MTREF development path through which the identified key priority needs could be achieved. It's heartening to mention that through visionary leadership and management of both Council and Municipality respectively, staff dedication, ratepayers' continued support and willingness by communities at large to actively partake in municipal programmes has indeed contributed to the realization of the 2011/2016 plan despite the municipality's limited budget against ever increasing community needs.

It is worth mentioning that Ndwedwe Municipality aligns its IDP and budget to NDP, which is National Government long strategic Plan that aims to invest in economic infrastructure. The Municipality has performed well especially on areas of infrastructure provisioning (access roads, crèches and power substation), preliminary town establishment projects (civic centre and streetlights), public participation, integrated youth development, integrated poverty alleviation measures and building e.g. good financial governance. **For 2015/2016 period the construction of water, sewer reticulation and package treatment plant project** for Ndwedwe Town which is estimated for completion in October 2016 on under-construction is progressing well. It is with pride to mention that through this visionary 2011/2016 plan the municipality has over the past four years been receiving the clean bill of health (unqualified audit report) in terms of financial management.

In a nutshell the 2011/2016 plan has laid a solid foundation for Council and Municipality to adhere and foster the financial governance values, principles and practices in a manner that is in tandem with the financial governance legislations and best practices and thereby ensuring that the people of Ndwedwe dream of a better life for all is realized in their lifetime. Secondly this coming budget year (2015/2016) is key in that, people of Ndwedwe through the IDP/BUDGET Izimbizo have acknowledged the good work the 2011/2016 leadership and management of Council and Municipality have done and went further to speak to the key development priorities the new Council leadership will have to execute in the coming years (2015/2016 up to 2017/2018).

The revised plan encapsulates key priorities which are informed by the five year government priorities are: Expand and Maintain the Infrastructure, Expand and Maintain the Community Facilities, Expand Access to Integrated Poverty Programmes, Deepen Public Participation, Implement Programmes of inclusive and job creation and implement integrated youth development programmes.

It is also important to note that the expenditure required to address the challenges facing our municipality and our communities as a whole will inevitably always exceed available funding; hence difficult choices have been made in balancing expenditures against realistically anticipated revenues as stipulated in section 18 of the Municipal Finance Management Act

Taking the abovementioned explanations quoted from the 2015/16 budget, I hereby recommend that the council of:

2. BUDGET RELATED RESOLUTIONS

RECOMMENDED

- Ndwedwe Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approve and adopt Annual Budget and Medium Term Budget Expenditure Framework as set out in the following schedules.
- A1 Schedule municipal budget comprises of following tables;
 - **Table A1 Budget Summary** (Financial Performance, Capital Expenditure and Cash sources, Financial Position and Cash Flows & Asset Management.
 - **Table A2 Consolidated Budgeted Financial Performance** (Revenue and expenditure by standard classification;
 - **Table A3 Consolidated Budgeted Financial Performance** (Revenue and expenditure by municipal vote);
 - **Table A4 Consolidated Budgeted Financial Performance** (Revenue and expenditure);
 - **Table A5 Consolidated Budgeted Capital Expenditure** (By vote, standard classification and funding;)
 - **Table A6 Consolidated Budgeted Financial Position;**
 - **Table A7 Consolidated Budgeted Cash Flows;**
 - **Table A8 Consolidated Cash Backed Reserves/Accumulated surplus reconciliation;**
 - **Table A9 Consolidated Asset Management;**
 - **Table A10 Consolidated Basic Service Delivery Measurement;**
 - That the Tariff charges for 2015/16 financial year be approved and adopted.
 - That the following Budget related policies be approved:
 - Credit control and debt collection policies
 - Asset Management Policy
 - Supply Chain Management Policy
 - Budget and Virement Policy
 - Cash Management and Investment Policy
 - Tariff Policies
 - Tariff Increases;
 - Municipal Property Rates Act Policy
 - Municipal Property Rates Act by-laws

3. Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is vital and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all municipalities.

The municipality has embarked on improving quality of service delivery by beefing up resources needed within Technical infrastructure department. In 2014/2015 the Municipality bought new fleet, of which delivery started in December 2014 in order to continue accelerate service delivery. This has been informed by ageing fleet of the Municipality which made it very difficult to go to some wards of the Municipality and this has resulted in procurement of seventeen new vehicles. Included in these vehicles there were three vehicles for the Mayor, Deputy Mayor and the Speaker of the Municipality. In addition to the fleet there were two trucks procured for Technical Infrastructure Department for road maintenance. These vehicles were acquired through own funding from cash-backed reserves. For 2015/16 the Municipality has budget to procure for a compact roller and a sixteen seater bus for a cost-cutting measures on hiring of such vehicles, and will be funded through own funding (equitable share).

Ndwedwe Municipality has implemented its second valuation roll (GV2) in 2014/2015, starting from 1st July 2014 and with the help of MillsFitchet as the Municipal valuer which has an impact in 2014/15 and 2015/16 respectively. The new valuation roll has seen the value of properties grow from R670 364 200 to R1 177 806 000, and the number of properties grew from 1014 to 1063. The exercise of compiling a new valuation roll included get addresses where they were previously missing, and it is believed that these addresses will help a lot to improve the Municipality's collection rate from its current rate of 35%. It is worth mentioning that rates income accounts for only 4% of the total budget income of R177 919 373 for 2015/2016 financial year. Total grants, inclusive of Equitable Share, add up to R167 460 000, which is equivalent to 94% of total income, and this is a worrying factor since it shows that the Municipality is heavily grant dependant. Interest on Investment has decreased by 60% and this is due to anticipated improvement on capital expenditure, meaning less disposable cash from unspent conditional grants, and that would lead to less investments, with no prospects of increased interest, leading to lower interest on investment.

The Budget and Medium Term Revenue and Expenditure Framework (MTREF) was also prepared taking cognizance of the contents of the Local Government: Municipal Finance management act No 56 of 2003, circular No. 70, circular No 72 and the Local Government: MFMA budget formats Guide received from National Treasury.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarized as follows:

- High number of poorly maintained community access roads or non-existent at all.

- Substantial need of community infrastructure e.g. Roads, sports fields and electricity connections to households.
- The need to increase municipal fleet in order to meet minimum service delivery standard.
- Maintain an adequate balance of filling vacant posts and budget percentage of salaries against overall budget.
- The high prevalent of indigent households within Ndwedwe municipality.
- Lack of revenue base.

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI.
- Budget items that were not properly utilized during March 2015 were considered versus the SDBIP and other competing needs from other budget items.
- The 2014/15 Budget priorities and targets, as well as the baseline allocations contained in that Budget were used as the upper limits for the baselines for the 2015/16 annual budget.

In view of the aforementioned, the following table is a consolidated as overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/16 Budget and MTREF

Details	Adjustment Budget 2014/15 R'000	Budget Year 2015/16 R'000	Budget Year 2016/17 R'000	Budget Year 2017/18 R'000
Total Operating Revenue	98 924	125 402	124 756	123 100
Total Operating Expenditure	95 454	115 992	116 100	118 342
(Surplus)/Deficit for the year	3470	9 410	8 656	4 758
Capital Expenditure	108 031	61 927	48 296	48 244

Total operating revenue has increased by 26.77 per cent or R26.478 million for the 2015/16 financial year when compared to the 2014/15 adjusted Budget as per Table A1- Budget Summary. For the two outer years, operating revenue will decrease by 0.52 percent and decreased by 1.33 per cent respectively. This is mainly due to the Equitable Share allocations to the municipality and also the 17.84 per cent increase on property rate.

Total operating expenditure for the 2015/16 financial year has been appropriated at **R115 ,992 million** when compared to **R95, 454 million** for the 2014/15 Budget, operating expenditure has grown by **21.5 per cent** in the 2015/16 budget and by **0.52 per cent** and **1.33 per cent** respectively for outer years of the MTREF.

The Capital Expenditure has decreased by **42.68 per cent** when compared to the 2014/15 Budget. For the two outer years the total capital expenditure will decrease by **22 per cent** and increase by **0.11 per cent** respectively. Source of funding for total capital budget for 2015/16 is **84.80 per cent** financed through conditional grant funding whilst the remainder is financed through internally generated funds, 15.20 per cent.

- Operating Revenue Framework**

The following table is summary of operating revenue (classified by revenue source)

Table 2 operating revenue for 2014/15 Budget and MTREF (classified by revenue source)

Description	Current year 2013/14		2014/15 Medium Term Revenue & expenditure Framework		
	Original Budget	Adjusted budget	Budget year 2015/16	Budget year+1 2016/17	Budget year+2 2017/18
	R	R	R	R	R
<u>Revenue by source</u>					
Property rates	6 314 000	6 294 000	7 417 000	7 862 000	8 287 000
Rental of facilities and equipment	215 000	410 000	362 000	383 000	404 000
Interest earned – external investments	1 847 000	4 000 000	1 565 000	0	0
Interest earned – outstanding debtors	488 000	488 000	945 000	1 002 000	1 056 000
Other revenue	300 000	280 000	170 000	0	0
Transfers recognized – operational	87 218 000	87 452 000	114 943 000	115 509 000	113 353 000
Total revenue (excluding capital transfer and contributions)	<u>96 382 000</u>	<u>98 924 000</u>	<u>125 402 000</u>	<u>124 756 000</u>	<u>123 100 000</u>

In line with the formats prescribed by the municipal Budget and reporting regulations, capital transfer and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of operating surplus/deficit.

Transfer recognised operational revenue forms a significant percentage of the revenue basket for the municipality.

✓ **Property rates**

The table below indicate the changes in 2014/15 and 2015/16 budgets

Category	Current Tariff (1 July 2014)	Proposed tariff (from 1 July 2015)	Percentage change
C		c	
Residential properties	0.026964	0.03710	37% up
PSI (Incl. Schools, Welfare etc.)	0.0067416	0.00930	37% up
Commercial/Business	0.044944	0.04640	3% up
Agricultural	0.0067416	0.00930	37% up
Rural Other	-	0.00930	
Municipal rateable	-	0.00930	
Institutional	-	0.00930	
Public benefit organisation properties	-	-	

Property rate revenue is the second largest revenue source totaled to **R6 294 000** in the 2014/15 financial year and drastically increase to **R 7 417 000** by 2015/16 financial year. Note that the year-on-year growth for the 2014/15 financial year is **17.84 per cent** and then increase to **6 per cent** and **5.4 per cent** in the two outer years. A revised tariff setting model is used for 2015/16 financial year for property rates.

- The increase in property rates tariffs above the inflation forecasts reflected on Treasury MFMA Budget Circular 74 and 75 is informed the said tariffs setting model imposed by Cogta to Municipalities and Ndwedwe Municipality has adopted such model.
- The R7.4 million budget for 2015/16 and the budgeted amounts for two outer years in Table A4 represent net amount of property rates after subtracting revenue foregone as reflected in Table SA1.
- The council of Ndwedwe Municipality has approved tariff charges used all amounts related Property Rates and will be accompanying this budget for submission for references

✓ **Rental of facilities and equipment**

- Rental of facilities and equipment has decreased by 11.7% in the 2014/15 adjusted budget from R410 000 to R362 000, and this was due to exclusion for a period of about six months of Civic Hall Hire revenue as it planned to go under-extensive repairs and enhancements for 2015/16 financial year,
- Rental facilities and equipment revenue for the two outer years has increased by 5.8% and 5.5% respectively, as indicated in Treasury MFMA Budget Circular 74.
- Revenue for rental facilities and equipment is derived from halls rentals and bookings, office rentals from our Thusong Centers and from our Library seminar halls bookings and the tariffs for bookings and as well the lease rental agreement used in preparing this budget are available.

✓ **Interest earned on external investments**

As mentioned above the interest on Investment has decreased by 60% and this is due to anticipated improvement on capital expenditure, meaning less disposable cash from unspent conditional grants, and that would lead to less investments, with no prospects of increased interest, leading to lower interest on investment.

- Interest on external investments has decreased by 60.8% in the 2014/15 adjusted budget from R 4 000 000 to R1 565 000 for 2015/16,
- Interest earned on investments for the two outer years has decreased from R1.5 million to R670 494 for 2016/17 and to R710 715 for 2017/18 respectively

✓ **Interest on outstanding debtors**

Revenue increase for interest on interest on outstanding debtors has followed the same pattern as explained in property rates revenue and for outer years thereof.

✓ **Other revenue**

Other revenue for 2015/16 budget has decrease by 39% when compared to 2014/15 adjusted budget and this was due to exclusion of Halls hire revenue which was previously classified under this revenue and subsequently moved to Rental facilities and equipment revenue. Other revenue for the two outer years has increased by 5.8% and 5.5% respectively, as indicated in Treasury MFMA Budget Circular 74.

• **Operating Expenditure Framework**

The Council's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- Balanced budget constraint (total expenditure should not exceed total revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term is informed by Section 18 and 19 of the MFMA,
- The capital programmes are aligned to the Integrated Development Plan, IDP.

The following table is the high level summary of the 2015/16 Budget and MTREF operational expenditure (Classified per main type of operating expenditure):

Table 3 summary of operating expenditure by standard classified item

Description	Current year 2014/15		2015/16 Medium Term Revenue & expenditure Framework		
	Original Budget	Adjusted budget	Budget year 2015/16	Budget year+1 2016/17	Budget year+2 2017/18
	R	R	R	R	R
<u>Expenditure by type</u>					

Employees related cost	28 631 000	26 253 000	34 734 000	36 818 000	39 029 000
Remunerations of the councilors	9 451 000	9 764 000	10 331 000	10 975 000	11 722 000
Debt impairment	2 526 000	2 526 000	3 409 000	3 614 000	1 895 000
Depreciation & asset impairment	10 800 000	12 192 000	14 472 000	14 514 000	15 239 000
Finance charges	951 000	51 000	50 000	53 000	56 000
Other Materials	0	0	0	0	0
Contracted services	10 001 000	8 810 000	13 696 000	12 987 000	13 323 000
Other expenditure	30 552 000	35 858 000	39 300 000	37 139 000	37 079 000
Transfers and grants	0	0	0	0	0
Total operating expenditure	<u>92 912 000</u>	<u>95 454 000</u>	<u>115 992 000</u>	<u>116 100 000</u>	<u>118 342 000</u>

✓ **Employee related costs and Remuneration of Councillors**

The budgeted allocation for employee related costs for the 2015/16 financial year totaled R34 **734 000** which equals to **29.95 per cent** of the total operating expenditure and the percentage on operating expenditure inclusive of councilors salaries and allowances is 40%.

Provisions have been made for the following positions:

Position
Fleet Management Officer
Admin Clerk Council Support
H R Intern
Controller Expenditure
Local Economic Development Officer
EDP Intern
NDPG Coordinator
EDP Intern
Engineering Electrician
Roller Operator
Grader Operators
Grader Operators
Truck Driver
Truck Driver

The above budgeted posts include vacant posts as well as new posts for the budget year.

Employee related costs budgeted for 2015/16 has increased when compared to 2014/15 adjusted budget by 32% and the this increase was attributed to 6.2% increase as per Treasury MFMA Budget Circular 74 as well the inclusion of new posts as listed above.

Rental facilities and equipment revenue for the two outer years has increased by 6% which is relatively equal to 5.8% and 5.5% respectively, as indicated in Treasury MFMA Budget Circular 74.

- On top of what has been mentioned above the Municipality notes that the *Salary and Wage Collective Agreement* for the period 01 July 2012 to 30 June 2015 has come to an end, and that the negotiations are still underway as well the advices articulated by Treasury on the same aspect.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

Provision for depreciation and asset impairment has been informed by the municipality's Fixed Asset management policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budgeted amount in this regard totals to **R14 472 000** for 2015/16 financial year and equates to **12.4 per cent** of the total operating expenditure. Provision for depreciation has increased by **18%** because of new assets bought at the end of 2014/2015 financial year to replace the old assets, and new motor assets to be procured in 2015/16 improve service delivery.

Finance charges for 2015/16 financial year have been budgeted at R50 000, and this allocation is for the remaining finance leased vehicles which is due for settlement in December 2015.

Contracted services comprise the security services and repairs and maintenance.

- **Priority given to repairs and maintenance**

The provision is made for repairs and maintenance for 2015/16 Budget and MTREF

Description	2014/15	2015/16	2017/18	2016/17
	Amount R	Amount R	Amount R	Amount R
Buildings	1 345 000	3 200 000	3 562 024	3 392 000
Computers	5 000	5 000	5 300	5 586
Furniture and equipment	100 000	50 000	53 000	55 682
Vehicles	1 100 000	1 200 000	1 272 000	1 005 516
Roads	1 260 000	3 200 000	3 392 000	3 561 600
Local sports facilities	1 500 000	1 943 939	1 060 000	1 113 000
Total	5 310 000	9 998 939	8 962 300	9 082 684

A substantial budget is allocated towards upgrading of access roads and sport fields, the allocation for repairs and maintenance classified as contracted services is **11.8** per cent of the total operating expenditure budget for the 2015/16 financial year.

Contracted services budget for 2015/16 include security services amounting to R3.5 million and is increased by 5.8% and 5.5% respectively for the two outer years.

Other expenditure comprises of various line items relating to the daily operations of the municipality as shown in Table SA1.

Other expenditure for budget for 2015/16 and 2016/17 include an allocation for mSCOA as per recommendation by Treasury and this budget allocation is classified under software expenses as reflected in Table SA1.

• Capital Expenditure

The following guidelines were applied in order to valuate and prioritize the capital projects:

- In line with the council's revised IDP
- Carry-over of previously approved projects
- Existing council's resolutions, statutory requirements and services related benefits
- Provision was made for the capital projects to be funded from the equitable share if actual cash is available

For the 2015/16 infrastructure budget is for the following projects:

The operating budget surplus of R9.4 million for 2015/16 was utilized to finance the capital expenditure for movable assets sourced from equitable share and same for the outer years.

The provision is made for the following capital projects for 2015/16 budget and MTREF

Description	2015/16
	Amount R
Infrastructure projects funded by grants	
Road – MIG	28 907 000
Electricity (INEP)	9 000 000
Neighborhood development	14 610 000
Sub total	52 517 000
Capital funded by equitable share	
Mini-factories	700 000
Garage and parking	300 000
Furniture	200 000
Office equipment	130 000
Motor vehicles	2 200 000
Creches	450 000

Computers	230 000
Fencing	700 000
Parkhome	300 000
Access Roads	2 500 000
Sport fields	500 000
Refuse Removal Bins	200 000
Multipurpose Halls	1 000 000
Total	<u>61 927 000</u>

4. Annual budget tables

All budget tables as required in terms of Section 8 of the municipal budget and reporting regulations are enclosed as part of this analysis.

PART 2 – SUPPORTING DOCUMENTATION

1. Overview of budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition

Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Portfolio for Finance.

• Budget Process Overview

- In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.
- The Mayor tabled in Council the required the IDP and budget time schedule on 1 August 2014.
- Key dates applicable to the process were:
 - ✓ **August 2014** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2015/16 MTREF;
 - ✓ **September to November 2014** – Prepare draft IDP review, budget and OPMS. Present to Executive
 - ✓ Committee Members and Council Members, advertise, community consultation and, Closing dates for comments in draft IDP review

- ✓ **December 2014-** Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- ✓ **January 2015** – Incorporate comments received, present draft IDP review, budget and OPMS to Exco for recommendations, present draft IDP review to Council and submit to DLGTA for assessments
- ✓ **January 2015** – Assess mid-year budget and performance to inform adjustment, Mayor tables budget adjustment for the current financial year and council budget adjustment
- ✓ **February to March 2015** – align draft budget and IDP review report, finalise budget for the next three years in prescribed format, Mayor tables draft multi-years' budget, tariffs and budget policies to council,
- ✓ **April 2015** – Public consultation, closing date for written comments.
- ✓ **6 to 21 May 2015** – finalization of the 2014/15 IDP and 2014/15 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework
- ✓ **29 May 2015** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

- **IDP and SDBIP**

This is third review of IDP adopted by the council in May 2011

It started in September 2012 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015/16 MTREF in August.

- **Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2015/16 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2015/16 budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for service
- Improved and sustainable service delivery

-**Community Consultation**

The 2015/16 MTREF as tabled before Council and for community consultation was published on the

Isolezwe newspaper and hard copies were made available at customer care offices, municipal notice boards and various libraries.

In addition a further development of this year's consultation process included Mayoral Izimbizo. All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilized to facilitate the community consultation process during April 2015, and included public briefing sessions.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalization of the 2015/16 MTREF. Feedback and responses to the submissions received are available on request.

2. Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

Refer to table SA4, SA5, SA6 and SA7 highlights the IDP's five strategic objectives for the 2014/15 MTREF and further planning refinements that have directly informed the compilation of the budget:

3. Measurable performance objectives and indications

The Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess

and reviews organizational performance which in

turn is directly linked to individual employees' performance. At this stage performance management applies to Section 57 employees and the municipality intends to cascade it to junior employees.

-Free basic Services

Electricity supplied by Eskom to indigent beneficiaries is paid for by the Municipality

-Providing clean water and managing waste water

Not applicable in our municipality, it is a District function.

4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The council approved 2015/16 MTREF budget and the following budget related policies

- Review of credit control and debt collection policies
- Asset Management Policy
- Supply Chain Management Policy
- Budget and Virement Policy
- Cash Management and Investment Policy
- Tariff Policies
- Tariff Increases;
- Municipal Property Rates Act Policy
- Municipal Property Rates Act by-laws

5 Overview of budget assumptions

• Key focus areas for the 2015/16 budget process

Notes that spending plans outlined in the 2015 Budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure, while taking account of the constrained fiscal environment. South Africa's economy has continued to grow, but at a slower rate in 2014/2015 financial year. GDP growth reached 2.0 per cent in 2016 and is expected to grow at 2.6 per cent in 2017, rising to 3.0 per cent in 2018. Inflation has remained moderate, with consumer prices rising by 4.8 per cent in 2016 and projected to increase by an average of 5.9 per cent a year over the

period ahead.

The Municipality medium-term expenditure framework (MTEF) is aligned with the National Development

Plan (NDP) as a point of departure. The NDP sets out an integrated strategy for accelerating growth, eliminating poverty and reducing inequality by 2030. The NDP supported by the New Growth Path and other programmes provides a platform to look beyond the current constraints to the transformation imperatives over the next 20 to 30 years. The NDP emphasises the need to lower the cost of living for households and reduce the cost of doing business for small and emerging enterprise. These objectives need to take into account fiscal sustainability, which ensures that progress will not be interrupted or reversed.

- **Inflation forecasts**

Ndwedwe municipality have taken into account the macro-economic forecasts during the preparation of

2014/15 budget: the following table gives the GDP growth and CPI inflation indication.

Fiscal year	2013/14 Estimate	2014/15	2015/16 Forecast	2016/17	2017/18
Real GDP	2.2	1.4	2.0	2.6	3.0
CPI inflation	5.8	5.6	4.8	5.9	5.6

Source: Budget Review 2013

Note that the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

- **Employee related costs**

Ndwedwe municipality has noted what has been indicated by MFMA circular 75 with regards to its employees cost. It has been indicated on the circular that the Salary and Wages Agreement for the period of 01 July to 2012 to June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:

- 2015/16 Financial Year – 4.4 per cent (inflation linked)
- 2016/07 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent

As the negotiations are still underway, municipalities are advised to use the above proposed guidelines in preparing their 2015/16 budgets.

In this regard Ndwedwe municipality has noted that average CPI for this period is 6.2 per cent for 2015 period as per MFMA circular 74

- **Revising rates, tariffs and other charges**

In addition to the issues dealt with in MFMA Budget Circular 74 and 75, Ndwedwe local municipality has increased its property rates tariffs by the rate is in line with recommendations by National Treasury.

6 Overview of budget funding

- **Medium-term outlook: operating revenue**

The following table is a breakdown of the operating revenue over the medium-term:

Description	Budget year 2015/16 (R 000)	Budget year 2016/17 (R 000)	Budget year 2017/18 (R 000)
Property rates	7 417	7 862	8 278
Investment revenue	1 565	0	0
Transfers recognized - operational	114 943	115 509	113 353
Other own revenue	1 477	1 385	1 460

- **Medium-term outlook: capital revenue**

The following information is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Sources of capital revenue over the MTREF are transfers from National Treasury and Provincial Treasury, refer to A5 and SA18.

- **Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table A7 and SA30 is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from

„Ratepayers and other“ to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue.

- **Cash Backed Reserves/Accumulated Surplus Reconciliation**

Table A8 meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA.

7. Expenditure allocations and grant programme

The expenditure on grants is clearly allocated on Table SA19.

8. Councilors salaries and allowances and employees benefits

Councilors and employees remuneration are clearly outlined in Table SA22 and SA 23

9. Allocations and grants made by the Municipality

The Municipality projects that there won't be any allocations and grants made by it.

10. Monthly targets for revenue, expenditure and cash flow

Monthly targets are clearly outlined in table S.A25, SA26, SA27, SA28, SA29 and SA30.

11. Annual budgets and SDBIPs – internal departments

Annual budget was approved by council on the 28 March 2014 and the SDBIP approved by Council within 28 working days.

12. Contracts having future budgetary implications

No contracts are awarded beyond the medium-term revenue and expenditure framework (three years).

13. Capital expenditure details

Capital expenditure programmes are clearly outlined in table SA34A, SA34C and SA36.

14. Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- **In-year reporting**

Reporting to Provincial Treasury and National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) is also done on monthly basis.

- **Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

- **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

- **Audit Committee**

An Audit Committee has been established and is fully functional.

- **Service Delivery and Implementation Plan**

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2015/16 MTREF in May 2015 directly aligned and informed by the 2015/16 MTREF.

- **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

- **MFMA Training**

The MFMA training module in electronic format is presented at the Municipality and training is ongoing.

- **Policies**

Review on Municipal budget related policies will be submitted to council for final approval in May 2015.

15. Other Supporting Documentation

Other supporting documentation in terms relevant budget laws and regulations are attached.

16. Municipal Manager's quality certification

I, **Thembeka Cibane**, Municipal Manager of Ndwedwe Municipality, hereby certify that the final annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, and the regulations made under the Act.

Municipal Manager of Ndwedwe Municipality (KZN 293)

Date

(NB: Signed Certificate will be forwarded)